

# DAILY BULLETIN

FEBRUARY 8, 2005

## UNITED STATES TO DEVOTE \$390 MILLION TO PALESTINIAN ASSISTANCE

State Department fact sheet outlines distribution of funds..... 1

## RICE HOPES TO SEE VIABLE DEMOCRATIC PALESTINIAN STATE

Secretary welcomes parties' commitment to seize new opportunities ..... 2

## BUSH SEEKS BROAD CUTS IN 2006 NONSECURITY GOVERNMENT SPENDING

President's budget would boost defense, homeland security, foreign aid ..... 3

## FOREIGN AID INCREASE SOUGHT IN PRESIDENT'S FY06 BUDGET REQUEST

Administration calls attention to MCA, AIDS, Middle East efforts..... 5

## UNITED STATES TO DEVOTE \$390 MILLION TO PALESTINIAN ASSISTANCE

State Department fact sheet outlines distribution of funds

The U.S. Department of State issued February 7 a fact sheet that outlines plans to dedicate a total of \$390 million to assist the Palestinians over the next two years.

The funds would finance projects in education, job creation, business development, health care, housing, institution building and water infrastructure.

Following is the text of the fact sheet:

Jerusalem  
February 7, 2005

### United States Assistance to the Palestinians

The President announced in the State of the Union on February 3 that he will ask Congress for \$350 million for the Palestinians to support political, economic and security reforms. We will be consulting with Congress about modalities for disbursing this assistance.

Separately from the \$350 million mentioned by the President, we notified Congress of our intent to reprogram over \$40 million in previously authorized assistance for quick disbursing projects designed to make an immediate, visible impact on the lives of Palestinians.

As the President has said, the goal of two states living side by side in peace and security is within reach; we are at a moment of opportunity and we must seize it.

We are committed to building democratic Palestinian institutions dedicated to reform and to helping the Palestinian people, particularly as they prepare for Israeli disengagement from Gaza and parts of the West Bank.

This package of aid is designed to make an impact, both immediately and in the long-term, on the lives of Palestinians, and to support the PA as it continues its reform efforts.

#### Planned breakdown of assistance and programs

Quick impact program: The over \$40 million of previously authorized assistance is being reprogrammed from funds currently reserved for a Gaza seawater desalination facility. Assistance will not be provided directly to the PA but will be channeled through NGOs using existing mechanisms. Breakdown:

\$7.3 million for higher education and training programs

\$8.9 million for community services - including youth programs and job creation

\$7.9 million for private sector development

\$3 million for support for primary health care

\$13.9 million for water infrastructure - construction of wells, pipelines and water distribution systems

Supplemental: The Administration will seek \$200 million in program assistance via the supplemental appropriation. This will include program assistance targeted at the following areas:

Financing home construction in Gaza

Expanding education opportunities

Developing the economic infrastructure for a Palestinian state

Helping to improve the Palestinian social safety net to provide social services to the poor

"Building bridges" to help improve the flow of people and goods between Israel and the West Bank and Gaza

FY 2006 budget: The Administration's FY 2006 budget will seek \$150 million in economic assistance for the West Bank and Gaza, an increase of \$75 million over the FY 2005 budget. U.S. assistance supports significant programs in six areas: private sector development, water resources, democracy and governance, health, community services, and higher education. The FY 2006 increase will allow a focus on longer-term development -- including reconstruction of Gaza and revitalization of the Palestinian economy in the wake of Israel's withdrawal; necessary foundations for emerging democracy such as institution-building and civil society strengthening; and infrastructure development, especially water.

#### RICE HOPES TO SEE VIABLE DEMOCRATIC PALESTINIAN STATE

Secretary welcomes parties' commitment to seize new opportunities

Secretary of State Condoleezza Rice looks forward to a "different kind of Middle East" in which "a viable Palestinian state, a democratic state ... could live side by side in peace with a democratic Jewish state of Israel."

Rice expressed this hope in a February 6 interview with Israel's Channel 10 television. The secretary added that President Bush clearly articulated the challenges before the Palestinians and the Israelis in a speech in June 2002.

"He said that some fundamental choices had to be made by Israel, by the Palestinians, by the Arab states, by the international community, in order to get peace," Rice said.

In that speech, Bush spoke of the need for a new Palestinian leadership and the need for Israel to create conditions conducive to the emergence of a democratic Palestinian state.

"Some of those fundamentals are now coming into place," Rice said, "and it's my great hope that over the next years that we can realize the dream -- and make it a reality -- of two states, Israel and Palestine, living side by side in peace."

The secretary told Abu Dhabi television in a February 7 interview that everyone, including the Israelis, the

Palestinians, the neighboring Arab countries, the Europeans and the United States, will have to make difficult decisions in order to achieve peace.

Rice said, however, that words and promises are not enough. Before meeting with Israeli Prime Minister Ariel Sharon, she told reporters that this is a time "of great responsibility for all of us to make certain that we act on the words that we speak."

The secretary welcomed the upcoming meeting of Israeli and Palestinian leaders in Sharm El-Sheikh, Egypt, and commended the commitment of the parties and the neighboring countries to achieving progress in the peace process. She said the parties are taking advantage of the new momentum created by the recent election of Palestinian President Mahmoud Abbas and Israel's decision to withdraw from its settlements in Gaza and four West Bank towns.

Although Rice will not be attending the meeting, she assured Channel 10 television, "The United States will be there whenever needed."

The secretary also told Abu Dhabi television that the United States is particularly committed to providing support for the efforts of the new Palestinian leadership. She said this would include financial assistance, political backing, training for security forces and efforts to elicit active support from other parties including the European Union and the World Bank.

"The Palestinian people deserve a better life than they have had," Rice told Abu Dhabi television.

The secretary said that security concerns and the Israeli settlements are important issues that must be confronted.

"A better security environment will make it possible for Israelis to withdraw from Palestinian cities, it will make it possible for the Palestinians to resume a more normal life in terms of commerce, in terms of the freedom of movement," Rice said.

The secretary added that the United States has been very clear in telling Israel that settlement activity does not contribute to the prospects for peace. She observed, however, that the Israeli disengagement plan will result in the dismantling of numerous Israeli settlements in Gaza and the West Bank.

## BUSH SEEKS BROAD CUTS IN 2006 NONSECURITY GOVERNMENT SPENDING

President's budget would boost defense, homeland security, foreign aid

By Andrzej Zwanecki

Washington File Staff Writer

Washington -- President Bush has proposed a tough budget for fiscal year 2006 (FY06), beginning October 1, that includes spending cuts across a wide spectrum of nonsecurity government programs and increases in funding for national defense, homeland security and international assistance programs.

The budget proposal released February 7 by the White House's Office of Management and Budget (OMB) calls for \$2,568 billion in federal government spending and projects \$2,178 billion in revenue. If Congress enacts the plan, the proposed budget would reduce the budget deficit to \$390 billion, or 3.0 percent of gross domestic product (GDP) in FY06 from a \$427 billion deficit in fiscal year 2005 (FY05).

Additional information on U.S. fiscal outlook is available at:

<http://www.whitehouse.gov/omb/budget/fy2006/outlook.html>

The administration wants to reduce discretionary non-security spending by about 1 percent, while holding increases in overall discretionary spending below the expected rate of inflation, or 2.1 percent.

Discretionary spending includes money for government agencies and programs for which funding levels are determined and controlled by Congress in annual appropriations bills. Such spending constitutes about one-third of all federal expenditures.

Under U.S. law, legislators are not bound to adhere to the president's budget proposal, and in the past Congress has produced spending bills that differed substantially from the president's request. Nevertheless, the president's budget request launches the arduous process by which Congress crafts authorizing funding measures and then the 13 appropriations bills that actually fund relevant departments.

In a message introducing the budget request, Bush said his call for fiscal discipline builds on his previous administration's efforts to bring down spending but re-

quires Congress to apply stricter measures in the budget process.

By applying fiscal restraint, “we will remain on track to meet our goal to cut the deficit in half by 2009,” he said.

The full text of the president’s message is available at <http://www.whitehouse.gov/omb/budget/fy2006/message.html>

## DOMESTIC PROGRAMS

In its budget proposal, the administration said that achieving deficit reduction through spending restraint rather than tax increases will bolster confidence in the U.S. economy.

OMB projects that the deficit will decline to \$251 billion, or 1.5 percent of GDP, in fiscal year 2008.

The White House seeks to reduce or eliminate more than 150 domestic programs and to reform mandatory spending programs. The administration said it also will resubmit a proposal to establish overall discretionary spending caps and rules that would require Congress to offset any new mandatory spending with reductions in mandatory spending previously passed by Congress. In 2004, Congress could not agree on the details of such measures.

Funding for some agencies and programs -- mostly entitlement programs such as Social Security, the public pension program, and Medicare, the public health care program for older people -- is mandatory and automatic under existing authorizing legislation.

One of the most politically sensitive cuts is a proposed reduction in government subsidies for U.S. farmers. The proposal asked for a reduction in the payment limit cap for individual farmers to \$250,000 for commodity payments and cutting crop and dairy payments by 5 percent. These past funding supports have not been “appropriately targeted” and “many of the programs may need to be reformed as a result of any new multilateral long-term trade agreements,” the proposal said. The savings in farm subsidies, which would affect a broad range of producers from cotton and rice to corn, soybeans, wheat and dairy farmers, would amount to \$5.7 billion over the next decade.

Additional information about the proposed reform is available at:

<http://www.whitehouse.gov/omb/budget/fy2006/agriculture.html>

## DEFENSE, HOMELAND SECURITY

During a February 7 briefing, OMB Director Joshua Bolten said he does not expect Congress to stick to the White House request, but believes that lawmakers will accept the administration’s general priorities.

The FY06 proposal reflects the president’s often-stated priorities of funding at appropriate levels the war on terrorism, homeland protection, promotion of democracy and support of U.S. export activities.

Defense spending, one of the very few areas excluded from the spending squeeze, would increase to \$419.3 billion, or 4.8 percent over the 2005 enacted level. Homeland security spending would rise by nearly 7 percent to \$34.2 billion. The proposal would fund programs ranging from restructuring of U.S. military bases overseas to critical infrastructure protections to the fight against terrorist financing and financial crime.

Overview of these programs can be viewed at <http://www.whitehouse.gov/omb/budget/fy2006/protecting.html>

Funding for military operations in Afghanistan and Iraq is not included in the proposal. Bolten said that in a few days the administration will send to Congress an \$81 billion supplemental appropriation request to fund those operations through the remainder of the FY05.

As part of homeland protection efforts, the administration continues to strive to ensure that the U.S. agriculture and food system is the safest in the world. It is proposing a \$78 million increase for “food and agriculture defense activities,” which include the development of a nationwide food laboratory network for testing food for potential biological, chemical, and radiological contaminants and early detection of pathogens and bacterial toxins.

The budget also includes funding for the early detection of infected plants and animals, a National Plant Disease Recovery System to respond to and recover from a disease affecting a major crop, and research that would enable rapid identification and response to an attack on U.S. agriculture or food systems.

## TRADE, INTERNATIONAL ASSISTANCE

Another top administration priority is to increase international trade by boosting the growth of U.S. export businesses and reducing barriers to trade, particularly trade with China. Trade with that country “continues to present a number of challenges for U.S. companies,” according to the proposed budget.

The administration noted that U.S. soybeans and cotton exports have made “tremendous gains” in China following U.S.-China negotiations.

The proposed budget also cited re-opening of the Japanese and other meat import markets to U.S. beef as another issue high on administration’s agenda. In December 2003, Japan closed its market following discovery of a sole case of BSE, or mad cow disease, in the United States.

Under the budget proposal, the Commerce Department would receive \$409 million, a slight increase over the FY05 funding level, for trade promotion as well as for compliance with trade agreements and U.S. trade law.

The president’s proposal suggested that, in addition to engaging other countries in fair trade, the administration stands ready to affirm through appropriate resources its commitment to democracy and caring values worldwide. It would boost overall level of U.S. international assistance by 14 percent.

Some major international development and humanitarian assistance initiatives are funded at higher levels in the FY06 than last year. The Millennium Challenge Account (MCA), a year-old assistance program for poor countries that aims to promote development through economic freedom, social investment and good governance, would receive \$3 billion in funding. Although this falls short of the promised \$5 billion, it constitutes a \$1.5 billion increase over the funds provided by Congress in fiscal 2005. The MCA was slow to start and Congress reduced the president’s funding request for the program’s first year because lawmakers believed the administration was not ready at that time to fully manage the program.

The proposal also would boost funding for AIDS relief, one of the most praised U.S. international assistance initiatives, from more than \$2.8 billion in the FY05 budget to \$3.2 billion.

The United States would continue to support moves in Afghanistan and Iraq toward freedom and democracy, the proposal said. The president’s budget would provide \$360 million in economic assistance to Iraq for strengthening government and economic infrastructures and nearly \$1.1 billion to Afghanistan for improvements in health, education, clean water, and free market systems as well as for counter-narcotics programs. The Middle East Partnership Initiative, a cornerstone of the president’s strategic approach to supporting economic, political, and social reform in the Middle East, would receive \$120 million.

Additional information on international assistance is available at:  
<http://www.whitehouse.gov/omb/budget/fy2006/state.html>

## FOREIGN AID INCREASE SOUGHT IN PRESIDENT’S FY06 BUDGET REQUEST

Administration calls attention to MCA, AIDS, Middle East efforts

By Kathryn McConnell  
 Washington File Staff Writer

Washington -- President Bush is asking Congress to approve \$31.8 billion in spending for the State Department and U.S. foreign aid for the fiscal year beginning October 1 (FY06) -- a substantial increase over current year funding of \$27.5 billion.

The proposed spending, announced February 7, would fund economic development and child health initiatives, as well as military aid and U.S. contributions to international organizations. It would allocate 18 percent more than current year spending of \$11.3 billion for the State Department, and 14 percent more than the current \$16.2 billion for foreign aid.

The proposal includes \$3 billion for the Millennium Challenge Account (MCA), an increase of \$1.5 billion over congressionally approved funding for the current fiscal year. The year-old MCA is the president’s supplemental aid program that rewards countries with policies that promote economic growth, investment in human capital and respect for rule of law.



The \$3 billion request for MCA is below the \$5 billion budget Bush had originally envisioned for FY06 when he announced the creation of the program in 2002. Eligible countries have taken longer than expected to develop sound funding proposals, according to the MCA's parent agency, the Millennium Challenge Corporation (MCC). The administration now expects to reach the \$5 billion level for this program by fiscal year 2007.

Another area for which a funding boost is sought is the administration's effort to fight HIV/AIDS. In fiscal 2006, \$3.2 billion would be devoted to those efforts under the president's request -- up from \$2.4 billion authorized in fiscal 2004. In addition to bilateral assistance, the United States is helping to stem the spread of AIDS through its contributions to international organizations such as the U.N. Children's Agency (UNICEF), the Joint U.N. Program on AIDS (UNAIDS), the World Health Organizations (WHO) and the Global Fund to Fight AIDS, Tuberculosis and Malaria.

The 2006 president's budget proposal seeks \$360 million for economic assistance to Iraq. This would fund help for providing basic services, collecting revenues and developing a free market system capable of joining the global economy. It also would provide \$1.1 billion for health, education, clean water, free market infrastructure and anti-drug programs in Afghanistan.

The proposed budget seeks money to enhance diplomatic and assistance activities in the Middle East, North Africa and majority Muslim countries elsewhere in the world. In particular, it proposes \$120 million for the Middle East Partnership Initiative (MEPI), a cornerstone of the president's strategic approach to supporting economic, political and social reform in the region.

Under the 2006 budget proposal, the Broadcasting Board of Governors (BBG) would continue local and live news coverage to the broader Middle East region through satellite and land-based transmission of the Arabic-language Radio Sawa and the al-Hurra television station.

Proposed 2006 funding also would support the development of libraries and information centers, called American Corners, in the Muslim world. It also would expand funding by 21 percent for public diplomacy and exchanges in general, and particularly in the Middle East.

Under the president's proposed budget, the National Endowment for Democracy would receive \$80 million in FY06, a \$20 million increase over the current fiscal year,

for grants to groups that build and strengthen democratic institutions and promote rule of law, human rights, civic education and a free press. In all, \$115 million would be provided to support training and to strengthen institutions that promote freedom and rule of law.

The budget proposal would significantly boost funding for the State Department's new Office of the Coordinator for Reconstruction and Stabilization. The office was created to address conditions in failed, failing and post-conflict states, and to put in place foundations for lasting peace, good governance and economic and social development. Its proposed budget would include \$100 million for a conflict-response fund.

The proposal also would provide \$734.5 million for anti-drug efforts in the Andean region of South America and \$437 million for anti-drug operations in Afghanistan.

The budget request also seeks \$1.34 billion in contributions to the World Bank and other multilateral development institutions, including support for agreed-upon reforms in grants to the world's poorest countries and \$100 million for the Heavily Indebted Poor Countries (HIPC) debt reduction program.

The president's budget proposal includes \$322 million for basic education programs worldwide in 2006 and \$167 million for higher education and training.

According to budget documents, Bush aims for the 2006 budget to reinforce the U.S. commitment to being the world's most generous provider of food aid and nonfood humanitarian assistance, including shelter, health care, water and sanitation. It also provides for an increase in funding for global refugee programs and for resettlement in the United States.

The president is requesting \$345 million for the Peace Corps, allowing the volunteer development agency to open at least two new posts overseas and maintain its existing level of more than 7,700 volunteers.

The section of the president's 2006 budget proposal covering the Department of State and international assistance is available at:  
<http://www.whitehouse.gov/omb/budget/fy2006/state.html>